USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 3/10/2005

GAIN Report Number: CO5005

Colombia

Grain and Feed

Annual

2005

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Report Highlights:
Imports of yellow corn and wheat are expected to increase, while white corn and rice imports will fall. Colombia established a tariff-rate quota for yellow corn of 1,900,000 tons and for white corn of 45,000 tons. Colombia has not set a tariff-rate quota for rice, with all imports paying a prohibitive 80 percent duty. Imports of corn and wheat will reach 2.29 and 1.3 million metric tons in 2005/2006. Colombia started implementing of the Andean – Mercosur free trade agreement in February 2005. Colombia, Ecuador and Peru are currently negotiating a bilateral free trade agreement with the U.S.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Bogota [CO1]
[CO]

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Executive Summary

The Colombian feed industry and wheat millers depend heavily on corn and wheat imports. Corn imports supply around 70 percent of the total demand while wheat imports supply 97 percent of the local needs. Imports are expected to reach 2.29 million metric tons of corn and 1.3 million metric tons of wheat in the 2005/2006 marketing year. While local corn production is highly protected, low yields and high production costs making it unlikely that local production will displace imports in the near future. Stronger economic growth and increased market access under the bilateral free trade agreement currently under negotiation are expected to further increase demand for imported corn.

Rice imports in Colombia are currently marginal since rice production enjoys high border protection (an 80 percent duty for imported rice). Although other Andean countries are charged a zero duty, the Colombian Government has used safeguard measures to maintain tight controls on imports. Most imports –- legal and illegal –- are cross border trade.

Colombia started implementing in February 2005 the free trade agreement between Mercosur and the Andean Community. Under the agreement, wheat will be removed from the Andean price band system immediately and the duty phased out by 2009. Corn and rice will remain in the Andean price band system, with Mercosur paying a reduced duty relative to other countries.

Colombia, Ecuador and Peru are currently negotiating a free trade agreement with U.S. in a process that started in May 2004. The goal is to end the negotiations in 2005 and implement the agreement in 2006

Production

Corn production is expected to reach 1.309 million tons in 2004/2005 MY with a slight increase to 1.316 million tons in the following year. Although corn production is strongly promoted by the government (the local price is over double the world market price), the high costs of local production and the possibility of more open trade under the free trade agreement make significant increases in local production unlikely. The area planted under traditional non-mechanized production continues to fall, while the mechanized area is expected to increase further.

Rice production in traditional rice growing areas is increasing due to strong border protection (80 percent import duty) and government investment in irrigation systems. Local prices for paddy rice are close to $250 per ton. Production is expected to reach 2,300,000 tons in 2005 and 2,317,000 tons in 2006.

Wheat crop area in Colombia will continue without major changes in the next two years. Small growers with traditional farming practices and low investment are maintaining production at around 33,000 tons a year. An unfavorable climate for growing milling quality wheat, relatively low duties under the Andean price band system (the duty at the start of March 2005 was 11 percent) and the absence of government incentives make increases in production unlikely.

Consumption

Corn consumption is expected to grow 1.8 percent in the marketing year 2004/05 and it is expected increase a further 3.9 percent during 2005/06. The growth in con consumption is due to increases in production of poultry, livestock (dairy and swine), and a relatively recent growth in fish and shrimp production.

Rice consumption will show a weak increase of 0.7 percent during 2005. High local prices, due in part to high import duties, discourage increased consumption of rice. Please note, that per capita consumption statistics are not accurate and there is currently a joint effort by the industry and government to improve this measurement.

Wheat consumption is estimated to rise only 0.6 percent in the upcoming marketing year 2005/06. Pasta consumption expanded during the last three years but industry sources expect smaller growth in the future.

Trade

Corn imports are expected to grow to 2.29 million metric tons in marketing year 2005/2006. This represents a 4.3 percent growth from 2.20 million tons calculated in 2004/2005. The U.S. increased its market share to 88 percent (1.87 million tons) during 2003/2004, as lower shipping costs offset the lower duty for imports from Argentina. The duty advantage for Argentine corn will increase from 3 percentage points to 3.9 percentage points in 2005, which is not expected to significantly undermine the freight advantage of U.S. corn. Depending on when the U.S./Andean bilateral free trade agreement currently under negotiation is implemented, the U.S. market share should increase in the future.

Rice imports are estimated at 50,000 metric tons (milled basis) for CY 2005, a fall of 50 percent from a year earlier. The estimate is based on expected legal imports of 30,000 tons from Ecuador and 20,000 tons of illegal trade with Venezuela and Ecuador. The Colombian Ministry of Agriculture has not yet established a tariff-rate quota for imports from Ecuador and non-Andean countries (all imports currently pay a prohibitive 80 percent duty), but trade contacts expect the government to allow some imports from other Andean countries later in 2005. Colombia imports paddy rice from the U.S. when the industry is in short supply of high quality rice. Colombia purchased 3,000 metric tons of paddy rice from U.S. during 2004.

Wheat imports continue to supply 98 percent of milling needs. Imports for the marketing year 2005/2006 are expected to be 1,305,000 metric tons. Imports from U.S. will likely be 780,000 metric tons (60 percent share) due to more competitive prices and lower shipping costs. Canada is the next largest supplier.

Stocks

Based on information from local contacts, corn stocks are calculated to represent one month of total consumption.

Colombian rice stocks are expected to be 193,000 tons (paddy bases) at the end of 2005, which represents one month of total consumption. Overall stock levels are expected to increase from the start of 2003 due to larger supplies and increases in government rice storage payments. The government of Colombia has established a storage payment to support grower prices and to provide an incentive to hold paddy rice out of market channels. Rice stocks are built up during the second half of the year due to the local harvest in the largest growing region.

Local contacts estimate that wheat stocks will represent 35 days of consumption at the end of marketing year 2005/06.

Policy

In February 2004, Colombia started a new system to guarantee the purchase of local production by the industry. The new system is a tariff-rate quota, with the in-quota amount auctioned off based on the importers commitment to purchase local production. The out-of-quota duty is the high of either 5 percent or the Andean price band duty for yellow corn and sorghum, 45 percent for white corn and 80 percent for rice. Currently, the duty for yellow corn and grain sorghum under the price band system is 20 percent (the price band duty can be found at: http://www.comunidadandina.org/politicas/franja_circular.htm). The price band duty is not currently applied to white corn, which has a 45 percent duty (the duty was increased from 15 percent in September, 2004 and will be in place up to March 31, 2005). Colombia also applies an 80 percent for rice (the duty was increased from 20 percent in December 2003), rather than the price band duty (currently 1 percent).

The current tariff-rate quota for yellow corn is 1.9 million tons, while the tariff-rate quota for white corn was reduced to 40,000 tons from 145,000 tons in 2004 to increase the protection for the local white corn production. For paddy rice or its milled equivalent, in order to protect local production the Ministry of Agriculture has not yet set an import tariff-rate quota for 2005. Wheat imports are excluded from the tariff-rate quota mechanism and all imports pay the price band duty (currently 11 percent).

Andean Community - Mercosur Agreement
Andean Community countries (Colombia, Ecuador and Venezuela) and Mercosur members signed an Economic Supplemental Agreement in October 2004. This agreement includes a free trade program that Colombia put in place in early February 2005. The trade liberalization program agreed for grains has the following basic features:

Corn: Fifteen year phase out period to bring the basic corn duty of 15 percent down to zero (the variable component of the price band will continue to be applied). For year 2005, Colombia granted to Argentina and Brazil a 26 percent preference and 14 percent preference to Paraguay and Uruguay on the 15% basic duty, the variable duty of the Andean Community will remain applicable. Under this agreement, corn imports from Argentina will pay 3.9 percentage points less in duties than imports from the U.S. and other countries.

Rice: Colombia will phase out the fixed/base duty of 15 percent for paddy rice and 20 percent for milled rice over 15 years, while maintaining the variable component of the price band duty. For year 2005, Colombia granted to Mercosur countries a 14 percent preference on the basic duty (paddy 15%; Milled 20%).

Wheat: Wheat and products containing wheat will be taken out of the price band system immediately and are not subject to the special agricultural safeguard. Colombia will phase out over a 6-year period (by 2009) the duty of 15 percent. For 2005, Colombia granted a preference (reduction) of the 15% base duty of 36 percent to Argentina and Brazil, 48 percent to Paraguay and 40 percent to Uruguay.

Tables

Colombia wheat PSD, 2003/04 – 2005/06 (July-June)
(1,000 Hectares and 1,000 Tons.)

Colombia							
Wheat							
	2003	**Revised**	**2004**	**Estimate**	**2005**	**Forecast**	**UOM**
	USDA Official [Old]	**Post Estimate [New]**	**USDA Official [Old]**	**Post Estimate [New]**	**USDA Official [Old]**	**Post Estimate [New]**	
Market Year Begin		07/2003		07/2004		07/2005	MM/YYYY
Area Harvested	15	15	15	15	0	15	(1000 HA)
Beginning Stocks	119	119	122	120	125	113	(1000 MT)
Production	32	32	33	33	0	33	(1000 MT)
TOTAL Mkt. Yr. Imports	1246	1296	1250	1295	0	1305	(1000 MT)
Jul-Jun Imports	1246	1296	1250	1295	0	1305	(1000 MT)
Jul-Jun Import U.S.	734	782	0	780	0	780	(1000 MT)
TOTAL SUPPLY	1397	1447	1405	1448	125	1451	(1000 MT)
TOTAL Mkt. Yr. Exports	29	22	30	25	0	28	(1000 MT)
Jul-Jun Exports	29	22	30	25	0	28	(1000 MT)
Feed Dom. Consumption	20	20	20	15	0	15	(1000 MT)
TOTAL Dom. Consumption	1246	1305	1250	1310	0	1318	(1000 MT)
Ending Stocks	122	120	125	113	0	105	(1000 MT)
TOTAL DISTRIBUTION	1397	1447	1405	1448	0	1451	(1000 MT)

Colombia: Wheat Imports 2003/04 (July-June)

Import Trade Matrix			
Country	Colombia		
Commodity	Wheat		
Time Period	July-June	Units:	(0,000) MT
Imports for:	2003		**2004**
U.S.	781	U.S.	
Others		Others	
Canada	433		
Australia	80		
Ecuador	1		
Total for Others	514		0
Others not Listed	1		
Grand Total	1296		0

Source: WTA - Colombian Custom Agency (DIAN)

Colombia: Wheat Prices to Grower, 2002 – 2003
(1,000 pesos per Ton)

Prices Table

Country	Colombia			
Commodity	Wheat			
Prices in	(0,000) col pesos	per uom	Metric ton	

Year	2003	2004	% Change
Jan	560	560	0%
Feb	560	560	0%
Mar	560	560	0%
Apr	560	560	0%
May	560	560	0%
Jun	560	560	0%
Jul	560	560	0%
Aug	560	560	0%
Sep	560	560	0%
Oct	560	560	0%
Nov	560	560	0%
Dec	560	560	0%

Exchange Rate	2329.67	Local Currency/US $
Date of Quote	3/2/2005	MM/DD/YYYY

Note: Base price agreed for purchasing negotiations among Growers and Millers.
Source: Grains Growers Association.

Colombia: Corn PSD, 2003/04 to 2005/06 (October-September)
(1,000 Hectares and 1,000 Tons)

Colombia							
Corn							
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		10/2003		10/2004		10/2005	MM/YYYY
Area Harvested	565	565	580	568	0	570	(1000 HA)
Beginning Stocks	249	249	244	241	269	270	(1000 MT)
Production	1195	1305	1225	1309	0	1315	(1000 MT)
TOTAL Mkt. Yr. Imports	2100	2107	2200	2200	0	2295	(1000 MT)
Oct-Sep Imports	2100	2107	2200	2200	0	2295	(1000 MT)
Oct-Sep Import U.S.	1788	1871	0	1900	0	1950	(1000 MT)
TOTAL SUPPLY	3544	3661	3669	3750	269	3880	(1000 MT)
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0	(1000 MT)
Oct-Sep Exports	0	0	0	0	0	0	(1000 MT)
Feed Dom. Consumption	2050	2250	2150	2350	0	2500	(1000 MT)
TOTAL Dom. Consumption	3300	3420	3400	3480	0	3615	(1000 MT)
Ending Stocks	244	241	269	270	0	265	(1000 MT)
TOTAL DISTRIBUTION	3544	3661	3669	3750	0	3880	(1000 MT)

Colombia: Corn Imports, 2002/03 (October-September)

Import Trade Matrix			
Country	Colombia		
Commodity	Corn		
Time Period	**Oct-Sep**	**Units:**	**(0,000) MT**
Imports for:	**2003**		**2004**
U.S.	1870	U.S.	
Others		Others	
Argentina	189		
Ecuador	42		
Total for Others	231		0
Others not Listed	6		
Grand Total	2107		0

Source: WTA - Colombian Custom Agency (DIAN)

Colombia: Corn Prices to Grower, 2003-2004
(1,000 pesos per Ton)

Prices Table				
Country	Colombia			
Commodity	Corn			
Prices in	(0,000) Col pesos	per uom		Metric ton

Year	2003	2004	% Change
Jan	541	493	-9%
Feb	536	507	-5%
Mar	535	508	-5%
Apr	510	518	2%
May	560	508	-9%
Jun	571	504	-12%
Jul	522	552	6%
Aug	515	508	-1%
Sep	502	515	3%
Oct	478	505	6%
Nov	490	532	9%
Dec	431	536	24%

Exchange Rate	2329.67	Local Currency/US $
Date of Quote	3/2/2005	MM/DD/YYYY

Source: National Agriculture Commodity Exchange (Bolsa Nacional Agropecuaria)

Colombia: Milled Rice PSD, 2003 to 2005
(1,000 Hectares and 1,000 Tons)

Colombia							
Rice, Milled							
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2003		01/2004		01/2005	MM/YYYY
Area Harvested	480	480	490	495	0	500	(1000 HA)
Beginning Stocks	146	146	133	158	128	203	(1000 MT)
Milled Production	1367	1367	1385	1380	0	1390	(1000 MT)
Rough Production	2278	2278	2308	2300	0	2317	(1000 MT)
MILLING RATE (.9999)	6000	6000	6000	6000	0	6000	(1000 MT)
TOTAL Imports	75	60	85	105	0	50	(1000 MT)
Jan-Dec Imports	85	60	100	105	0	50	(1000 MT)
Jan-Dec Import U.S.	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	1588	1573	1603	1643	128	1643	(1000 MT)
TOTAL Exports	0	0	0	0	0	0	(1000 MT)
Jan-Dec Exports	0	0	0	0	0	0	(1000 MT)
TOTAL Dom. Consumption	1455	1415	1475	1440	0	1450	(1000 MT)
Ending Stocks	133	158	128	203	0	193	(1000 MT)
TOTAL DISTRIBUTION	1588	1573	1603	1643	0	1643	(1000 MT)

Colombia: Rice Imports, 2004 (January-November)

Colombia			
Rice, Milled - Imports			
Time Period	Jan-Nov	Units:	(0,000 MT)
Imports for:	2004		**2005**
U.S.	3	U.S.	
Others		Others	
Thailand	45		
Venezuela	32		
Guyana	4		
Ecuador	1		
Total for Others	82		0
Others not Listed			
Grand Total	85		0

Source: WTA - Colombian Custom Agency (DIAN)

Colombia: Rice Price to Millers, 2003-2004
(1,000 pesos per Ton)

Colombia Rice, Milled Prices			
Prices in	(0,000) Col pesos	per uom	Metric ton
Year	2003	2004	% Change
Jan	1042	1187	14%
Feb	1093	1227	12%
Mar	1122	1202	7%
Apr	1130	1203	6%
May	1126	1205	7%
Jun	1131	1189	5%
Jul	1146	1176	3%
Aug	1107	1112	0%
Sep	1071	1042	-3%
Oct	1092	1038	-5%
Nov	1146	1034	-10%
Dec	1165	1060	-9%
Exchange Rate	2329.67	Local Currency/US $	
Date of Quote	3/2/2005	MM/DD/YYYY	

Source: Rice Producers Federation (FEDEARROZ)